

**Introduced by Senator Dunn**

February 10, 2005

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An act to add Section 14105.987 to the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

SB 206, as amended, Dunn. Inpatient hospital services: reimbursement: ~~pediatric outlier payment adjustment program~~ *Pediatric Outlier Payment Adjustment Program*.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and under which qualified low-income persons receive health care benefits, including hospital services.

~~This bill would state the intent of the Legislature to enact legislation that would establish a pediatric outlier payment adjustment program to offset the losses experienced by tertiary care hospitals rendering care to a disproportionately high percentage of Medi-Cal eligible children who are seriously ill and require exceptionally high cost treatment.~~

*Existing law provides for the California Medical Assistance Commission in the Governor's office, for the purpose of contracting with health care delivery systems for provision of health care services to recipients under the Medi-Cal program.*

*This bill would establish the Pediatric Outlier Payment Adjustment Program (POPAP) to be administered by the California Medical Assistance Commission. The program would provide funding to offset a portion of the unfunded inpatient hospital costs of Medi-Cal eligible patients less than 21 years of age with extraordinary health care needs.*

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. (a) (1) The Legislature finds and declares that  
2 reimbursement for the health care provided to the most seriously  
3 ill children in California is not covering the actual cost of the  
4 care being rendered.

5 (2) The ability of tertiary care hospitals to continue to accept  
6 all of the children who need tertiary care is declining. A tertiary  
7 hospital is a referral hospital providing comprehensive,  
8 multidisciplinary, regionalized pediatric care to children from  
9 birth up to 21 years of age, consistent with identified  
10 requirements.

11 (b) In recognition of these findings and declarations, it is the  
12 intent of the Legislature to enact legislation that would create a  
13 pediatric outlier payment adjustment program to help offset  
14 losses experienced by those tertiary care hospitals rendering care  
15 to a disproportionately high percentage of Medi-Cal eligible  
16 children who are the most seriously ill in the state and require  
17 exceptionally high cost treatment.

18 SEC. 2. Section 14105.987 is added to the Welfare and  
19 Institutions Code, to read:

20 14105.987. (a) *The Pediatric Outlier Payment Adjustment*  
21 *Program (POPAP) is hereby created to provide funding to offset*  
22 *a portion of the unfunded costs of hospitals that serve Medi-Cal*  
23 *eligible children with extraordinary health care needs.*

24 (b) (1) *The California Medical Assistance Commission shall*  
25 *administer the POPAP.*

26 (2) *Any hospital that has a contract with the California*  
27 *Medical Assistance Commission is eligible to request funding*  
28 *under the POPAP.*

29 (3) *The California Medical Assistance Commission shall*  
30 *reimburse, in accordance with this section, any eligible hospital*  
31 *pursuant to a valid request from the hospital submitted within six*  
32 *months of a related claims payment.*

33 (4) *Reimbursement under this section shall apply to an*  
34 *inpatient stay of an individual Medi-Cal eligible patient less than*  
35 *21 years of age at the time of hospital admission.*

1     (c) (1) *An eligible hospital that has incurred a gap between*  
2 *the costs of care rendered and the reimbursement received for an*  
3 *individual pediatric patient in excess of fifty thousand dollars*  
4 *(\$50,000) during an inpatient hospital stay may request and*  
5 *receive payment for all unreimbursed costs above fifty thousand*  
6 *dollars (\$50,000).*

7     (2) *An eligible hospital that has incurred a gap between the*  
8 *costs of care rendered and the reimbursement received for an*  
9 *individual pediatric patient that exceeds 300 percent during an*  
10 *inpatient hospital stay may request and receive payment for all*  
11 *unreimbursed costs above 300 percent of reimbursement*  
12 *received.*

13     (3) *An eligible hospital to which both paragraphs (1) and (2)*  
14 *apply for a single inpatient hospital stay shall receive payment*  
15 *for the greater of the two amounts as determined pursuant to this*  
16 *subdivision.*

17     (d) (1) *Costs of care for an individual pediatric patient for*  
18 *purposes of this section shall be calculated based on the*  
19 *hospital's Medi-Cal allowable costs-to-charge ratio as found in*  
20 *the most recent final audited cost report at the time the request*  
21 *for reimbursement is submitted, which shall be applied to*  
22 *charges for each individual hospital stay.*

23     (2) *Costs of care for an individual pediatric patient shall*  
24 *include Medi-Cal allowable costs and the previously disallowed*  
25 *total provider-based physician adjustment.*

26     (e) *For purposes of this section, "reimbursement" means the*  
27 *payment made by the state upon submission of the provider's*  
28 *claim as reflected under the state's claims payment system.*

29     (f) *The State Department of Health Services shall seek federal*  
30 *financial participation for expenditures made under the POPAP.*